

## Message Text

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71

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 AID-20 COME-00 L-03

TRSE-00 FEA-02 CIAE-00 INR-10 NSAE-00 PA-04 RSC-01

USIA-15 PRS-01 SP-03 DRC-01 /108 W

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R 211654Z JUN 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1492

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 4147

E.O. 11652: GDS

TAGS: ETRD, EC

SUBJ: BANANA POLICY

REF: A. QUITO 2580; B. QUITO 1222

1. CABINET HAS APPROVED SOME OF THE BANANA MEASURES PREVIOUSLY REPORTED TO BE UNDER CONSIDERATION (REFTEL A). THESE WILL RAISE INCOME OF PRODUCERS BY 14 CENTS PER 43 POUND BOX (TO 89 CENTS) WITH THE COST TO BE BORNE BY THE TREASURY AND EXPORTERS. PAYMENT TO PRODUCERS WILL RISE BY THE AMOUNT OF PRESENT EXPORT TAX (SUCRES 2.10) PLUS THE AMOUNT OF A DISCOUNT THAT EXPORTERS HAVE BEEN TAKING TO COVER COSTS OF PACKING MATERIALS (SUCRES 1.30). WITHOUT THE DECREE, IT IS UNCLEAR TO US WHETHER THE EXPORT TAX WILL BE REDUCED TO ZERO, AS WAS PROPOSED, OR WILL BE REDUCED BY STAGES AS PROVIDED FOR IN EXISTING LEGISLATION. IN THE FORMER CASE, THE COST ON JULY 1 TO EXPORTERS OF THE NEW MEASURES WOULD BE 5 CENTS PER BOX; IN THE LATTER CASE, ABOUT 11

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CENTS. THERE WILL BE NO CHANGE IN THE OFFICIAL PRICE (REINTEGRO)

OF \$1.40 THE BOX. GOE CLAIMS THAT THE F.O.B. PRICE WILL NOT RISE AT ALL AND EVIDENTLY EXPECTS EXPORTERS TO ABSORB THE COST INCREASE.

2. DIRECTOR OF FOREIGN TRADE GUILLERMO CARTAGENA (PLEASE PROTECT FROM DISCLOSURE) TOLD US CANDIDLY THAT ECUADOR IS TAKING ADVANTAGE OF BANANA MARKET CONFUSION CREATED BY THE CENTRAL AMERICANS. HE EXPRESSED CONSIDERABLE SATISFACTION WITH ECUADOREAN BANANA SALES AND CONFIRMED THAT A CONSTRAINT ON INCREASING SALES FURTHER IS THE SHORTAGE OF QUALITY FRUIT. HE EXPRESSED CONFIDENCE IN STANDARD AS A FINE UPSTANDING COMPANY AND SAID THAT UNITED IS EXPLORING WITH HIM THE POSSIBILITY OF REOPENING ITS OFFICES IN ECUADOR. UNITED LEFT ECUADOR IN 1963, UNDER A CLOUD BECAUSE OF A DISPUTE OVER A LARGE SUM OF MONEY THAT THE GOE CLAIMED THAT UNITED OWED. UNITED MAINTAINS AN INSPECTOR IN ECUADOR AND BUYS FRUIT FROM OTHER EXPORTERS.

3. CARTAGENA EXPRESSED FULL SYMPATHY WITH THE BALANCE OF PAYMENTS PROBLEMS OF THE CENTRAL AMERICANS AND ADMITTED THAT ECUADOR WOULD BE IN THE SAME PLIGHT IF IT WERE NOT NOW A PETROLEUM EXPORTER. NONETHELESS, HE CHARACTERIZED THE CENTRAL AMERICAN EXPORT TAX AS A PURELY POLITICAL MEASURE TAKEN IN AN ATTEMPT TO APE OPEC. HE SAID REPEATEDLY THAT BANANAS ARE NOT LIKE PETROLEUM BECAUSE THEY ARE IN OVER SUPPLY AND ARE NOT AN ESSENTIAL COMMODITY. HE ALLUDED TO THE GREAT PRESSURE UNDER WHICH ECUADOR HAD COME FROM THE CENTRAL AMERICANS AND SAID THAT ON THEIR INITIAL VISIT TO QUITO (REFTEL B) CENTRAL AMERICAN MINISTERS HELD OUT ALL KINDS OF INDUCEMENTS TO ECUADOR, INCLUDING SUPPORT FOR ECUADOR'S LAW OF THE SEA POSITION AND SUPPORT FOR ECUADOREAN CANDIDATES IN INTERNATIONAL ORGANIZATIONS.

4. CARTAGENA EXPRESSED HIS CONCERN ABOUT A POSSIBLE LACK OF U.S. UNDERSTANDING OF ECUADOR'S ACTUAL POSITION AND ACTIONS. WE ASSURED HIM THAT THESE MATTERS WERE ACCURATELY REPORTED BUT HE NOTED THAT THE LONGSHOREMEN HAD INCLUDED ECUADOREAN GOODS AMONG THE SUBJECTS OF THEIR THREATENED BOYCOTT. HE SAID HE FAVORS PREPARATION OF A CIRCULAR NOTE TO DIPLOMATIC MISSIONS OF CONSUMER COUNTRIES EXPLAINING ECUADOR'S ATTITUDE ABOUT THE BANANA SITUATION AND HE ALSO WANTS THE GOE TO HAVE AMBASSADOR QUEVEDO MAKE AN EXPOSITION TO THE DEPARTMENT.

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5. THE LOSS OF TAIWAN AND THE PHILIPPINES OF THE JAPANESE BANANA MARKET, ECUADOR'S LARGEST MARKET AS RECENTLY AS 1972, HAS BEEN A CONTINUING PREOCCUPATION OF THE GOE. CARTAGENA INDICATED THERE HAS BEEN PRELIMINARY DISCUSSION WITH THE JAPANESE ABOUT THE POSSIBILITY OF SELLING GOVERNMENT CRUDE PETROLEUM TO JAPAN CONDITIONAL UPON JAPANESE BANANA PURCHASES. ANOTHER GOE OFFICIAL IN THE BANANA PROGRAM OFFICE HAS INDICATED

THAT IN EXPLORATORY TALKS THE JAPANESE WERE PREPARED TO TALK ABOUT A COMMITMENT TO TAKE ONE 28 POUND BOX OF BANANAS PER BARREL OF CRUDE WHILE THE ECUADOREANS HAD IN MIND A DOLLAR FOR DOLLAR MATCHING OF THE VALUE OF CRUDE AND BANANA PURCHASES. THE DIFFERENCE IN FORMULAS IS, OF COURSE, ENORMOUS. NEITHER OFFICIAL INDICATED THAT A DEAL IS CLOSE.  
BREWSTER

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## Message Attributes

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